

# **THE GLOBALIZATION OF AMERICAN PHILANTHROPY**

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## **Contents**

1. Introduction
  2. Preliminaries: U.S. Foreign Assistance Today
  3. International Giving by American Foundations
  4. The Community Foundation Movement Goes Global
  5. Internationalizing U.S.-Based Community Foundations
  6. The Role of American Private Voluntary Organizations (PVOs)
  7. A Comparative Perspective
  8. International Philanthropy and Higher Education
  9. “Diaspora” Philanthropy
  10. Law and Nonprofits Under Globalization
  11. Needed: A New International Philanthropy Policy (NIPP)
  12. Connecting the Dots: Conclusions and Recommendations
- Sources Consulted
- Appendices

# **The Globalization of American Philanthropy**

## **I. Introduction**

This paper analyzes the globalization of American philanthropy in order to uncover significant trends in cross-border flows of financial and other assistance between the U.S. and other countries and to suggest ways in which such assistance might be larger and more helpful in the future. To simplify the presentation, the term philanthropy is used in a broad sense to include giving for public benefit from government as well as private sources, and from individuals or households as well as organizations. The term will also be used in its narrower sense to refer to grants by private entities defined as corporate and independent foundations.

The main sections of the paper are as follows. First, I argue that official development assistance by the U.S. is unlikely to rise meaningfully in the years ahead, and that this is too constricted a view of foreign assistance anyway. I adopt the framework for analyzing foreign aid used by USAID and by Carol Adelman in a current article in *Foreign Affairs*. It not only yields a level of foreign assistance by the U.S. in 2000 that was nearly six times the value of ODA alone, but more usefully, points us to channels of foreign assistance that might be expanded significantly in coming years.

Second, I look at international giving by U.S. foundations, which rose dramatically in recent years after long years of stagnation or decline. While accepting that a retrenchment in foreign giving occurred in 2002 and may continue this year, I propose that the vigorous growth rates of recent years are likely to resume thereafter.

Next I focus on the community foundation as an institution that contains two stories of globalization within itself. One is the spread of community foundations to other countries worldwide. The other is what I call the internationalization of the community foundation: the addition of an international component to an American philanthropic institution that has been entirely local in its orientation until recently.

Fourth, I examine the role of American private voluntary organizations (PVOs) as so-called intermediary organizations that deliver assistance overseas even though they tend to be seen as primarily domestic organizations. The value of their foreign assistance is very hard to calculate but is probably substantially underestimated. A brief comparative look at giving by three other countries finds that PVOs are indeed a much more preponderant channel of foreign assistance in the U.S. than abroad (with the partial exception of the UK). But there are commonalities in the foreign assistance of the four industrial democracies and one of them is the emphasis given to supporting higher education overseas. I ask whether in relative terms too much of that higher education philanthropy has flowed in North-North directions instead of North-South.

I then look at the concept of “diaspora philanthropy”—giving by immigrant communities to projects in their native countries—and seek to give some sense of its variety and importance.

Finally, I look at problems of the legal regimes for nonprofits in a globalized world and suggest the need for a New International Philanthropy Policy to accelerate worldwide liberalization in laws affecting nonprofits and international philanthropy. In conclusion I make some additional recommendations in a process described, not very originally, as “connecting the dots.”

## II. Preliminaries: U.S. Foreign Assistance Today

Signs of globalization can be found everywhere: in the number of items purchased by the American consumer that were manufactured abroad; in the modern multinational corporation on which “the sun never sets”; in the explosion of technology that has made possible the integrated capital, labor and product markets the global corporation relies upon; and the Internet, that has enabled routine communications around the world between individuals, families, and NGOs to a degree never imagined. No matter where one looks, virtually nothing today is unaffected by the growing globalization of human activity ... including American philanthropy.

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**Table 1. Two Measures of Globalization**

Foreign students enrolled in higher education in the U.S., 1955	34,000
Foreign students enrolled in higher education in the U.S., 2001	500,000
U.S.-owned assets <sup>1</sup> abroad, 2000	\$6,229 billion
Foreign-owned assets in the U.S., 2000	\$7,617 billion

**Source:** USAID and Department of Commerce, Bureau of Economic Analysis

There are many interesting aspects of the globalization of American philanthropy, including the fact that philanthropic flows in many countries today go both ways—e.g., U.S. universities and cultural institutions have long been recipients of substantial donations from philanthropic entities in Western Europe, Japan, Hong Kong, and elsewhere—and that numerous philanthropic “innovations” have in fact been emulations of practices previously developed in other countries. The U.S.’s National Endowment for Democracy was created in 1983, in part thanks to the example of the *stiftungen*—

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<sup>1</sup> Assets, whether U.S.- or foreign-owned, represent bank loans plus portfolio (holdings of securities) and direct investments.

Germany's externally-oriented, party-affiliated foundations—that had played an important role in the democratic transitions of Spain and Portugal in the mid-seventies.<sup>2</sup> To keep matters brief, however, this paper will focus primarily on current outflows of philanthropic assistance from the U.S. and their likely trends in the medium-term future.

In the current issue of *Foreign Affairs*<sup>3</sup>, Carol Adelman presents a picture of U.S. assistance to developing countries very similar to that in USAID's 2002 report, *Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity*, to which she was a major contributor. By adding to U.S. official development assistance various sources of nongovernmental flows of assistance—in particular, remittances abroad by households—Adelman estimates “conservatively” that U.S. foreign assistance in 2000 totaled \$57.7 billion. (See Table 2 below.)

By this estimate, total U.S. international assistance is nearly six times the amount of so-called Official Development Assistance (ODA) alone. (ODA represents the budgets of USAID and the Peace Corps, contributions to the World Bank, and some State Department humanitarian assistance.) Adelman's estimates differ from those in the 2002 report of USAID in only one category, Foundations, which she puts at \$3 billion, or twice the size of USAID's estimate. Since Adelman's paper is more recent and since she was part of the original report team, we will take her estimates as a proxy for an updated version of *Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity*.

It is the analytical framework that USAID (and Adelman) use, more than the dollar value of each category, that is important here. Clearly one reason for this framework is to

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<sup>2</sup> Presentation to Fleishman Fellows by David Lowe, Vice President, Government and External Relations, at offices of National Endowment for Democracy, Washington, DC, October 15, 2003.

<sup>3</sup> “The Privatization of Foreign Aid: Reassessing National Largesse,” November/December 2003.

answer critics, especially those in Europe, who have for many years questioned American generosity by pointing to our relatively low share of ODA in relation to GDP. It is a goal of the OECD (Organization for Economic Cooperation and Development) that its 21 Development Assistance Committee members each contribute 0.7% of GNP annually in ODA. Only three Scandinavian countries and the Netherlands in fact achieved this goal in 1999, the most recent year for which data are available, but the U.S. performance at 0.1% of GNP was at the very bottom of the group (our normal position) and has invited much criticism for many years.<sup>4</sup>

But apart from its polemical value, a major benefit of the USAID conceptualization of foreign assistance is that it brings the widest possible vision to the issue of international assistance, identifies all the major channels through which it flows, and implicitly asks if there are ways to amplify these flows in the future. Whether one agrees or not with the specific numbers given for each category in Table 2 below—and there is consensus on all sides for the need to improve greatly the data on foreign assistance—this framework takes us beyond the focus on ODA, which is clearly too narrow a lens through which to view foreign assistance, at least for a country like the U.S.

<b>Table 2. Estimated U.S. International Assistance in 2000</b>	<i>\$ billions</i>	<i>% of total</i>
U.S. Official Development Assistance (ODA)	9.9	17
All Other Government Assistance <sup>5</sup>	12.7	22
Total U.S. Private Assistance, of which:	35.1	61
Foundations	3.0	
Corporations	2.8	
PVOs (including volunteer time)	6.6	

<sup>4</sup> OECD. DAC tables and graphs at <http://www.oecd.org/dac/htm/dacstats.htm#Dactables>

<sup>5</sup> This category represents assistance that is not “within ODA guidelines” and includes “aid to Israel, Russia, the Central Asian Republics, central and eastern European countries, support for the National Endowment for Democracy, and contributions to the International Monetary Fund.” For a detailed list of the components of this category, see Appendix A.

Universities and colleges	1.3	
Religious congregations	3.4	
Individual remittances	18.0	
Total	57.7	100

**Source:** USAID, Adelman

Realism demands this. U.S. official development assistance of \$10.6 billion in 2000-2001 represented a decline of 23 percent in real terms from levels a decade earlier.<sup>6</sup> Even if President Bush's Millennium Challenge Account proposal should pass and add \$5 billion to our foreign aid budget beginning in fiscal 2006, its effect will only be to bring the real ODA budget in that year to the level of the early nineties. Unfortunately, this essentially static level of funding reflects the long-standing unpopularity of foreign aid in the American public and its representatives in Congress. Notably, none of the candidates for the Democratic Party's nomination for president is criticizing the Bush administration for spending too little on foreign assistance.

So whether or not one agrees that American ODA is too low, the fact is that no signs point to any sizable expansion of it above historically low levels in the near future. But fortunately the story does not stop here. The other categories of foreign assistance in the USAID framework point to a brighter picture: widening channels of resources coming from a variety of nongovernmental actors to support economic development and the growth of civil society in many poor and/or politically repressive countries.

### **III. International Giving by American Foundations**

From the early post-WWII period to the late twentieth century, international giving by American foundations measured as a share of total giving actually declined. If there was growth in international giving it was mostly because endowment values were

<sup>6</sup> OECD, Development Cooperation Report, <http://www.oecd.int/dataoecd/52/9/1893143.xls>.

rising and so all giving was increasing. In the five years between 1947 and 1952—a time of high concern for international affairs—a study of the 54 largest U.S. foundations found that 10 percent of their giving went to international purposes.<sup>7</sup> At the height of the Vietnam War in 1968, a Foundation Center study found that nine percent of all U.S. foundation grant money went to international programs.<sup>8</sup> This share would dip further in the seventies and by 1982 it was just five percent.<sup>9</sup>

This proved to be the trough. Over the past two decades international giving by U.S. foundations has risen at a much more rapid pace than giving overall. In just the three years from 1998 to 2001 international giving by American foundations more than doubled, from \$1.6 billion to an estimated \$3.3 billion. As a share of total giving, international grantmaking accounted for 15 percent of overall giving in 2001. Partly this was due to mega-grants from the Gates Foundation, but if these were excluded, the international share was still 12 percent.<sup>10</sup>

Recent data suggest that retrenchments occasioned by the stock market collapse of 2000-2002 disproportionately cut into international giving in the past year. This raises the question: when the economy resumes its long-term growth path, will international giving bounce back and maybe even continue to capture an increasing share of total giving in the years ahead? Two factors suggest the answer will be yes.

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<sup>7</sup> Kiger, p. 131.

<sup>8</sup> Kiger, p. 132.

<sup>9</sup> Loren Renz and Josefina Atienza, *International Grantmaking Update*, October 2003. The Foundation Center in cooperation with the Council on Foundations. Available at <http://www.fndcenter.org/research/>.

<sup>10</sup> All data from Renz and Atienza, 2003. The percentage share data may slightly overstate things since they are based on a sample of grants in amounts of \$10,000 or more awarded by 1,007 larger foundations. Smaller foundations are less likely to be involved in international grantmaking.



## **1. Consolidation of democracy in many formerly Soviet bloc countries, trends toward more openness in China.**

When the Berlin Wall fell a number of U.S. foundations leapt over the rubble, so to speak, to begin grantmaking in Central Europe and countries of the former Soviet Union. According to Kevin Quigley, an officer at Pew Charitable Trusts at the time, foundations (American and others) gave \$450 million for democracy assistance in Central Europe in the period 1989-94. This number, he says, “contrasts favorably” with the estimated \$339 million spent by USAID on such assistance in the same period.<sup>11</sup>

Since these early years of transition, some U.S. foundations (e.g., Pew) have withdrawn from the region or are scaling back their efforts significantly (e.g., Soros). But others have stepped in and are making long-term, strategic commitments to one country or an entire region. A good example is the Eurasia Foundation, established and funded by the U.S. government in 1993. By the end of 2001 it had awarded 5,800 grants totaling \$117 million.<sup>12</sup> The foundation has offices in most of the former Soviet republics and is now making grants totaling about \$25 million a year. It has made good strides in diversifying its funding base so that one-quarter of its funding now comes from non-U.S. government sources: foreign governments, foundations, corporations and individuals.

An example of a mid-size regional foundation with a strong commitment to the same region is Seattle’s Henry M. Jackson Foundation. Beginning in the mid-nineties, the Jackson Foundation made a commitment that has carried forward to this day to fund human rights projects in Russia and scholarly research on Asia through the National Bureau of Asia Research—which it has financed from start-up.

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<sup>11</sup> Kevin F.F. Quigley, *For Democracy’s Sake: Foundations and Democracy Assistance in Central Europe*, Washington, DC, Woodrow Wilson Press, 1997, p. 3.

<sup>12</sup> Eurasia Foundation Annual Report, 2001. These grants were divided among programs for the development of private enterprise (46%), public administration and policy (33%), and civil society (21%).

For foundations like these, virtually all of the old Soviet bloc territory is now open for short-term or long-term international philanthropy in all fields of activity (higher education, culture, scientific research, etc.). In most of the former Soviet republics not only does the need for democracy assistance still persist, but issues such as public health (HIV/AIDS and tuberculosis especially), environmental protection, and minority rights are in some cases more acute than ever.

A somewhat similar situation obtains in China, although it is a more closed society than most of the ex-Soviet republics. But signs point to the emergence of a civil society in China, perhaps a less transparent and more state-oriented type than we think of in the West<sup>13</sup>, but nonetheless one offering opportunities for partnerships and creative grantmaking by overseas foundations. Already foundations are very active in China: both in 1994 and 1998 the country ranked sixth overall by the amount of grant dollars received from foundations in the U.S.<sup>14</sup> Among the large donors for programs related to China is the Freeman Foundation, one of the international giving “top ten,” which gives in the neighborhood of \$50 million annually, mostly in support of academic programs related to Asia.

Together these developments point to a convergence of expanding needs and opportunities for cross-border giving by U.S. foundations over a vast territory that was almost wholly closed only fifteen years ago. But if both needs and opportunities are large

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<sup>13</sup> See Qiusha Ma, “Defining Chinese Nongovernmental Organizations,” *Voluntas*, June 2002, pp. 113-130. Ma writes (p. 118), “Scholars in search of civil society in China tend to focus on organizations with a clear political orientation such as workers’, students’, and women’s organizations, scholars’ political salons, or even underground organizations. By contrast, organizations such as charitable foundations or federations—social service providers as well as personal development groups without political agendas—have not drawn much attention, despite the fact that they are growing rapidly.”

<sup>14</sup> Renz and Samson-Atienza, p. 54.

and growing, how likely are U.S. foundations to increase their grantmaking overseas in response?

**2. Continuing commitment to international giving by the big ten compounded by increasing numbers of small and mid-size international funders.**

Two foundations, David and Lucile Packard and Bill and Melinda Gates, leapt into the ranks of the “mega-donors” in the late nineties, making international grants in 1998, for example, of \$118 million and \$528 million respectively. Both foundations have expressed a commitment to sustaining high levels of international giving in the years ahead and this commitment is shared by the other top ten international givers: Ford, MacArthur, Hewlett, Starr, Freeman, Mellon, and Carnegie. Together these ten funders (“Top Ten”) gave \$1.7 billion internationally in 2001, or slightly more than half of total estimated international foundation giving that year.<sup>15</sup>

At the same time increasing numbers of American foundations are entering the international arena, diversifying the sources of philanthropic for overseas projects. In 2001, 63 percent of a sample of just over 1,000 foundations awarded international grants.<sup>16</sup> In 1990, only 51 percent of a comparable sample did so.<sup>17</sup> As increasing numbers of foundations engage in international giving, the share accounted for by the Top Ten has fallen from the 1990-94 period when it was 71-75 percent to 52 percent in 2001.<sup>18</sup>

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<sup>15</sup> Renz and Atienza, October 2003.

<sup>16</sup> Renz and Atienza, *ibid.*

<sup>17</sup> Renz and Atienza, 2000, p. xiv. The sample size was only 821 in 1990, thus 415 represented 51 percent.

<sup>18</sup> Loren Renz and Josefina Samson-Atienza, *International Grantmaking II: An Update on U.S. Foundation Trends* (New York: The Foundation Center in Cooperation with the Council on Foundations, 2000), p. 49.

If these trends continue, the combination of a secular rise in the value of endowments, a rising number of foundations active in the international field, and the possibility of additional shifts in giving preferences toward the international sector—all suggest the possibility in the years ahead of continued strong gains in international giving by U.S. foundations.

<b>Table 3. American Foundations: A Broadening Base of International Grantmakers</b>	1990	1994	1998	2001
Number Making International Grants	415	479	576	636
As Percent of “Larger Funders”	51%	47%	57%	63%
Grants by “Top Ten” International Grantmakers as Share of International Grants by “Larger Funders”	71%	75%	40%	52%

**Source:** Renz and Atienza, 2000 and 2003. Numbers are based on data returned from samples respectively of 821, 1020, 1009 and 1007 foundations that made grants of \$10,00 or more in each year (so-called “larger funders”). The numbers are estimated to represent at least half of all foundations engaged in international giving in each year and more than two thirds of total international giving. The table is presented mainly to show trends.

#### **IV. Focus: The Community Foundation Movement**

Philanthropic foundations tend to see their international grantmaking in quite different terms from, say, humanitarian relief organizations whose success is largely measured by quantities of food and potable water delivered, or tents and blankets provided. Foundations like to see their grants more as investments that will have a multiplier effect within society, creating new institutions or helping fledgling projects in their early years. As such, the size of their grantmaking may not be as significant as the strategies and purposes that shape the grantmaking.

Seen in this light, one of the most interesting forms of strategic international grantmaking in recent years has been that to promote the establishment of community foundations. Ford and the Charles Stewart Mott Foundation have been leaders in this

effort, but important support has also come from Soros, Kellogg and Rockefeller Brothers. (Since the early eighties, Mott has spent \$55 million at home and another \$20 million abroad to promote the community foundation concept.<sup>19</sup>) Indications are that the return on these investments, especially abroad, has been high.

The community foundation idea emerged in the U.S. in 1914 when a group of separate charitable trusts in Cleveland were merged into one institution. The idea caught on and today there are more than 600 community foundations in the U.S. Elsewhere in the world, however, community foundations have been virtually unknown until very recently. Indeed, in many countries there have been scarcely any foundations of any kind. This is why the spread of the community foundation concept overseas in the past ten years is so remarkable. It is the result of international giving based on a clear strategic aim (to build sustainable local institutions of philanthropy) a business model that adapts itself easily to conditions in many countries. (Poorer countries, or countries in transition are unlikely to have many super-rich individuals; the community foundation idea does not require this.)

How successful has implementation been? Growth in the numbers of community foundations worldwide began in earnest in the mid-90s. Until then they numbered “only a handful” outside of the U.S., UK and Canada.<sup>20</sup> By the year 2000, there were about 230 community foundations worldwide in addition to the U.S.’s roughly 600. (In other words, about 830 overall.) By 2003, just three years later, the worldwide count is approaching 1,100, with the great bulk of the growth coming from outside the U.S. Thirty countries in

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<sup>19</sup> Renz and Samson-Atienza, p. 75.

<sup>20</sup> This quote and data that follow are in the *2003 Community Foundation Global Status Report* produced by the Council on Foundations and Worldwide Initiatives for Grantmaker Support-Community Foundations (WINGS-CF). The report is available online at [http://www.wings-cf.org/global\\_report/pg003\\_e.cfm](http://www.wings-cf.org/global_report/pg003_e.cfm).

2000 either had working community foundations or were actively developing them. By early this year that number had risen to 37.

Country-by-country stories emphasize even more how remarkable the development of community foundations has been. Russia and Poland each established their first community foundations in 1998. In Russia, the British Charities Aid Foundation (CAF) played a leading role in developing the 15 community foundations that now exist, and two already have small endowments. Ireland has had no foundations to speak of; it established the first community foundation in 2000 and now has six. The first community foundation in Central and Eastern Europe, the Healthy City Community Foundation of Banska Bystrica, was established in 1994 in Slovakia under the leadership of a young physician, Juraj Mesík. Today the organization disburses about \$25,000 a year to more than 100 projects and is the largest of about a dozen other community foundations in Slovakia. The success of Banska Bystrica-Zvolen, as it is called, has made it “a model for nonprofit organizations throughout Eastern Europe.”<sup>21</sup>

Nor are grants the only benefits of these new institutions. Four decades of communism had so corrupted the idea of freely donating time and labor for a public purpose that, “I was very skeptical that volunteerism could ever exist here again,” stated Tomáš Krejci, head of the community foundation in the Slovak city of Ústí nad Labem. But Krejci was pleasantly surprised when the Czech Open Society Fund (funded by Soros) opened a volunteer center in Ústí and “people started turning up to donate their

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<sup>21</sup> Burton Bollag, “Community Foundations Across Eastern Europe Advance ‘Step by Step’”, *The Chronicle of Philanthropy*, October 18, 2001. The success has also, incidentally, catapulted Mesík into the World Bank, where he now works in a division dedicated to partnering with community foundations.

time and skills to projects supported by the community foundation and other charitable efforts.”<sup>22</sup>

In Germany the growth of community foundations has been nothing short of spectacular. The Bertelsmann Foundation, funded by the nation’s publishing giant, set up the country’s first community foundation in 1996 in its hometown of Gütersloh. At year-end 2002, at least 50 community foundations had been established in Germany and approximately 80 more were in formation.<sup>23</sup>

Spurred by their success in Germany, and with support from Mott, Bertelsmann has now organized a Transatlantic Community Foundation Network to encourage regular contacts and sharing of experience among more than 30 leaders of European and North American community foundations. Another spin-off of the community foundation movement in Europe is the Transatlantic Community Foundation Fellowship. Run by the King Baudouin Foundation of Belgium and the U.S.-based German Marshall Fund, this program annually organizes three-week exchanges for five European and five American senior staff at community foundations on the opposite side of “the pond.” Likewise the International Fellows Program at the Center for the Study of Philanthropy at City University of New York offers a more intensive program of three months’ duration, focused on community foundations in the U.S., for nonprofit leaders and researchers from abroad.<sup>24</sup>

Inevitably, the spread of a concept like the community foundation to other countries with different cultures and traditions leads to somewhat different approaches or

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<sup>22</sup> Bollag, *ibid.*

<sup>23</sup> *Report*, p. 3.

<sup>24</sup> Stephen G. Greene, “Cultivating Philanthropy Overseas: Community Funds Tackle Local Problems on 5 Continents,” *The Chronicle of Philanthropy*, October 18, 2001.

emphases. This excites one philanthropic leader in the U.S. who feels that American community foundations may get revitalized by exposure to community foundation start-ups from abroad. Says Emmett D. Carson, president of the Minneapolis Foundation,

some feel that our institutions are essentially charitable banks, where donors can come for advice and information, while we carry out their wishes faithfully and efficiently. But another view is that we serve a larger purpose, collecting unrestricted assets in a community and directing them to those issues that would most improve their quality of life. That idea of promoting civil society, of bringing people together, is what's so attractive to people in South Africa, Brazil, or Slovakia. It's not about being a financial center for people of wealth."<sup>25</sup>

## V. Internationalizing U.S.-Based Community Foundations

The spread of the community foundation idea internationally in the past few years has been remarkable. There is a reverse side to this coin, however, and it is almost as remarkable. This has been the internationalization of community foundations in the U.S., meaning the rapid growth in giving abroad by community foundations that now have internationally-oriented donor-advised funds. The implications of this for international philanthropy, particularly when connected to the surge in foreign-born populations in the U.S., is significant (and will be discussed further below). Table 7 below, which shows very high rates of growth for international giving among U.S. community foundations, requires some caution until more data are available. It is likely that the base for the changes shown below is small.

<b>Table 7. Community Foundations Go Global</b>	<b>1994 to 1998</b>	<b>1998 to 2002</b>
Growth in International Giving, U.S. Community Foundations	160%	250%

**Source:** Foundation Center and Council on Foundations

<sup>25</sup> Greene, *ibid.*



What are the reasons for this surge? According to the Council on Foundations, the main one is “the rising number of donor-advised funds set up at community foundations by benefactors who have a substantial interest in international issues.”<sup>26</sup> But other factors probably include the existence of large sub-communities with strong ties to other countries that have discovered the advantages of the community foundation. Or the reason may simply be geography.

Consider the following examples:<sup>27</sup>

- The **Pittsburgh Foundation** is the twelfth largest community foundation in the country, and has been in business for more than fifty years. It administers about 325 donor-advised funds that match the interests of donors with specific needs in the community. Pittsburgh is also home to about 2,000 Czech-American families and the university has a large program directed at the various ethnic groups in the city. In the mid-nineties leaders of the VIA Foundation in the Czech Republic came to Pittsburgh and established a close relationship with the Heinz Endowment—which has a strong record of international grantmaking. It decided in August 2002 to provide seed money to establish a “Friends of the Czech Republic Fund” that would be administered by the Pittsburgh Foundation.

In August of this year, the Pittsburgh Foundation sent its first check to the VIA Foundation in Prague, representing the earnings on the principal provided by Heinz. The board of the foundation in Prague will decide where to apply the grant—VIA specializes in educational and training projects—and will submit a report back to Pittsburgh on a yearly basis, detailing the application of the funds that came to it were used.

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<sup>26</sup> *International Dateline*, *ibid.*

<sup>27</sup> The examples that follow all come from *International Dateline*, *ibid.*

According to Kelly Uranker of the Pittsburgh Foundation, the advantages of this arrangement is that it gives donors wanting to help people in the Czech Republic “a sense of security and a vehicle as there is already a foundation in the Czech Republic that knows its community and is going out and doing the necessary work. There is also the follow-up work that we do so that after you have written your check to this fund, you receive a report on what programs your money is contributing to.”

Will there be other such funds at the Pittsburgh Foundation? It all depends on the will of donors. The community foundation does not actively seek to establish international funds, but it certainly welcomes them. Uranker views them as a “wonderful opportunity to bring new donors into [the] community foundation. I have been with the foundation more than six years and more and more I am finding that people are thinking globally and they want to give overseas. They want to think about their own backyards, but they also want to branch out, especially given the current political climate.”<sup>28</sup>

- Since Chicago-resident Neal Ball visited Thailand 23 years ago, to search for the missing relatives of the refugee he was sponsoring, he has had an abiding interest in issues related to refugees and displaced persons. In 2000 he decided to establish a fund in his name at the **Chicago Community Trust**. Through the trust, the Neal Ball Charitable Fund supports the work of the American Refugee Committee and the Chicago chapter of UNICEF.

- The Asian Pacific Community Fund in Los Angeles receives grants from a variety of Asian-American interest groups and directs them all to its account at the **California Community Fund**. From this account, it makes grants for refugee

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<sup>28</sup> *International Dateline*, a publication of the Council on Foundations, Fourth Quarter 2003. Available online at <http://www.cof.org/files/Documents/Newsletters/InternationalDateline/ID4Q2003.pdf>.

resettlement, language training, economic development and other objectives both in Asia and California.

- The **Arizona Community Foundation (ACF)**, because of its location, has supported the work of several projects on both sides of the U.S.-Mexican border. For example, the International Sonoran Desert Alliance works to protect an ecosystem that includes large parts of Arizona, California and northern Mexico. The ACF is also part of the U.S.-Mexico Border Philanthropy Project which, coordinated by the Synergos Institute, brings together more than a dozen community foundations, American and Mexican, to find ways to improve quality of life for the poor in the border region.

- In Nashville, the **Community Foundation of Middle Tennessee** has funded a very different project. Conceived by a local Iraqi refugee organization, it seeks to help the estimated 30,000 Iraqi refugees throughout the United States and at the same time to educate Americans about Iraq.

- The **Community Foundation Silicon Valley** partners with three “supporting foundations”—Skoll (a founder of eBay), Kirsch, and eBay foundations—to make a large number of grants in support of both national and international causes.

Each of these examples represent new roles by an institution until very recently assumed to be entirely local in its orientation. But factors contained in the phenomenon of globalization—e.g., rising immigrant populations, increasing concerns by many Americans for international issues—make it likely that the trends these examples represent will grow in the future.

## **VI. The Role of American Private Voluntary Organizations (PVOs)**

American philanthropy extends its hand abroad not only through foundation grants or programs that build indigenous philanthropic capacities overseas, but also through the work of so-called intermediary organizations—typically nonprofits with 501(c)(3) status—whose work may be primarily domestic, but with an international component. These intermediary organizations, called private voluntary organizations (PVOs) in the parlance of USAID, are in effect globalizing the impact of donations they receive from members and funders at home.

USAID maintains a registry of PVOs<sup>29</sup> that have complied with certain standards and are eligible for government-funded contracts and grants for development work overseas. Based on data provided by the 436 registered PVOs that USAID had on its list in 2000, the agency estimates the value of international philanthropy represented by the services they provide at \$6.6 billion in 2000.<sup>30</sup> Of this, half is assumed to be the value of time contributed by “U.S. international volunteers.”<sup>31</sup> The other \$3.3 billion represents hard cash committed to international programs of PVOs from a combination of private

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<sup>29</sup> The registry is online at <http://www.pvo.net/usaaid/index.html> and is searchable by either country or sector of activity.

<sup>30</sup> USAID, *Foreign Aid in the National Interest: Promoting Freedom, Security and Opportunity*. Washington, DC, 2002, p. 141.

<sup>31</sup> USAID explanations of how they arrive at this sum are confusing, and in one respect may be too generous. In order to receive funding from USAID all PVOs need to show that at least one-fifth of a project’s budget comes from non-USAID sources. Some organizations estimate sufficient “volunteer time” and “in-kinds” to generate that 20 percent—numbers that USAID uses to reach the overall estimate of “international volunteer time” value.

Alternatively, PVOs can ask USAID for an exemption from this requirement. USAID acknowledges that “more than 30%” of USAID’s top 20 PVOs sought exemptions in 2002 from the 1/5 matching funds requirement. See *Foreign Aid in the National Interest*, p. 141.

and government (USAID) sources. Of this amount, USAID grants and contracts totaled approximately \$1.3 billion<sup>32</sup> in 2000 and funds from private sources were \$2 billion.

Corroboration of these estimates comes from more recent numbers. *The Chronicle of Philanthropy*'s annual "Philanthropy 400" survey for the year 2002 indicates that the largest 25 international PVOs alone had revenues from private sources in excess of \$3.6 billion and funding from government sources of just over \$1 billion. (For more details on this data, and the names of the organizations in the Top 25, see Appendix B.)

But estimating the monetary value of philanthropy that flows abroad through intermediary organizations is very difficult, and the numbers above very probably underestimate it. First, for organizations that do not receive funding from USAID or other government sources there is no central clearinghouse that collects data about their international programs. Yet thousands of American PVOs not registered with USAID carry out projects every year that deliver some form of service or assistance overseas. Many are admittedly small when counted one by one—as when a group of volunteers in Seattle sends a donation of cash and Christmas toys worth \$1,000 to an orphanage in their sister city of Gdynia, Poland; or when the Serendipity project <http://www.serendipity-russia.com/aboutus.htm> (also the product of a sister city relationship) conducts some of its language training, cultural, and municipal exchange programs that touch hundreds of Russians and Americans every year. Such activities in the aggregate, carried out around the globe, undoubtedly represent a substantial sum of money. But it is extremely difficult to estimate.

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<sup>32</sup> \$1.3 billion is implied by the statement that its top 20 PVOs received two-thirds of the \$854 million in grants and contracts for international assistance in 2000. Also at *Foreign Aid in the National Interest*, p. 141.

There are also classification problems. For example, organizations classified as “International” by USAID or *The Chronicle of Philanthropy*’s annual “Philanthropy 400” list (or any other compilers of such data), are usually organizations whose focus is 100 percent international. An example would be CARE. But hundreds of American PVOs whose primary classification is *not* international—e.g., the Nature Conservancy, the American Society for Public Administration—today carry out significant international program work. This work in the aggregate may involve thousands of people, including volunteers, and cost millions of dollars. Yet it is not accounted for as international philanthropy because the particular organization’s primary classification is environment, social service, health, education, etc.

Finally, no dollar values capture adequately the value of projects by some PVOs whose main “outputs” are education, training, institution building, and networking. An example of such a (registered) PVO is the Financial Services Volunteer Corps based in New York. Its annual revenues come overwhelmingly from USAID and have averaged \$4-5 million since 1992. (The annual amount is higher now, but the exact sum is unknown.) By using highly experienced volunteers from the U.S. financial community and working through the leadership of political and financial institutions in scores of transitioning economies, the organization has “raise[d] over \$5 million in contributions and support from foundations, corporations and individuals, and ... delivered more than \$150 million in technical assistance to counterparts worldwide.”<sup>33</sup>

FSVC has leveraged these sums to make a substantial contribution to the development of modern banking and financial regulatory systems in post-Soviet transition countries. It has also built transnational networks among its “alumni”

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<sup>33</sup> From the organization’s website at [www.fsvc.org](http://www.fsvc.org).

volunteers and clients in the countries where it has worked. These networks have long-term value in themselves. This is just one example of how a nonprofit's work can reach far beyond what the size of its budget might suggest.

## **VII. A Comparative Perspective**

Before proceeding further it may be helpful to pause and look at some comparative data on cross-border giving, thus putting our discussion of the globalization of American philanthropy in the context of trends in other countries. Unfortunately, this is possible only to a limited degree because, as Helmut Anheier and Regina List, two leading scholars in the field, have complained, “even within the voluntary or nonprofit sector,” few things have received “less attention than international philanthropy, especially the amounts, types and purposes of charitable flows from one country to another.”<sup>34</sup>

Against very heavy data problems, Anheier and List's book, *Cross-Border Philanthropy*, tries to compare international philanthropy of the U.S. with that of the UK, Germany and Japan. There is insufficient data in the book to analyze foreign assistance by each country in terms of all the categories in the USAID (Table 2) framework. But enough is said about each country to establish a few evident differences: e.g., in the U.S., the role of PVOs in providing international assistance stands out; and in the Germany and Japan, government sources of assistance are paramount.

What else does one learn from this comparative study? In all four countries gifts by individual donors to overseas organizations do not receive tax-favored treatment. This

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<sup>34</sup> Helmut K. Anheier and Regina List, eds. *Cross-Border Philanthropy: An Exploratory Study of International Giving in the United Kingdom, United States, Germany and Japan*, London and Baltimore: CAF and Center for Civil Society Studies at The Johns Hopkins University, 2000, p. 1.

explains the large number of “Friends” charitable entities in the U.S. (e.g., Friends of Oxford University). As of 1995 there were approximately 350 such “Friends” organizations in the U.S. that gave \$553 million to entities overseas. More than half of these came into existence since 1990. (For the legal requirements that govern tax-deductible giving for overseas projects through a “Friends” organization, see Appendix C.)

In all four countries, funds for international activities also rely disproportionately on private giving, as Table 4 indicates. This would suggest that in most countries foreign assistance tends to be an orphan when it comes to government’s allocating tax-based revenues.

<b>Table 4. Private Sources as Share of All Funding for: (percent)</b>	U.S.	UK	Germany	Japan
International Nonprofit Activities	50	39	17	13
Total Nonprofit Sector, including International	19	12	4	1

**Source:** Anheier and List

Other interesting data unique to each country are as follows:

- According to OECD data, ODA from the **United Kingdom** in 1999 totaled US\$3.4 billion, or 0.23 percent of GNP. Most overseas grantmaking by UK entities goes to support scientific research, medical studies, etc.<sup>35</sup> (For the U.S., giving for education and research comes in second behind development, relief and social services.) Of 4,200 trusts in the **United Kingdom**, some 600 fund projects outside the country, either as their primary purpose or incidentally. But overseas-oriented trusts are a relatively recent phenomenon; less than 10 percent were founded pre-1950. Table 5 below provides some data on the role played by British “general charities” (somewhat

<sup>35</sup> Anheier and List, p. 84.



comparable to PVOs registered with USAID) in the mid-nineties, but one learns little, unfortunately, from such data. About one-quarter of revenues of these charities came from British government sources in the form of grants or contracts.<sup>36</sup> (To obtain a rough U.S. \$ value of British pound figures, multiply by 1.5.)

<b>Table 5. Institutional Grants by UK "General Charities", 1994-95</b>	in £ millions	Percent
External grants to overseas agencies	357.4	3.7
All other external grants	1,992.2	20.6
Internal (all other) expenditure	7,333.6	75.7
Total	9,683.2	100.0

**Source:** Anheier and List

- According to OECD data, ODA from the **Japan** in 1999 totaled US\$15.3 billion, or 0.35 percent of GNP. The majority of this aid is from the central government and flows almost exclusively to less developed countries in the form of technical assistance. Interestingly, almost all of Japan's foreign technical assistance is delivered through international or national NGOs. See Table 6 below for a mid-nineties breakdown (most recent available) of Japan's foreign assistance. Also in Japan, an organization's articles of association must explicitly allow international philanthropic transfers (IPT); otherwise they are forbidden. This plus the fact that it is difficult to amend articles of association in Japan largely accounts for the minuscule amount of IPT from non-governmental sources in Japan. On the other hand, since the early nineties Japanese individuals could establish accounts known as Postal Savings for International Voluntary Aid (POSIVA). Between 1991 and 1995 the number of participants in POSIVAs rose from 2.1 million to 19.5 million. (But Japanese gave

<sup>36</sup> Anheier and List, p. 76.

only the U.S. equivalent of \$30 million to international causes through POSIVAs in 1995.)<sup>37</sup>

<b>Table 6. Japan's Cross-Border Philanthropy, 1995</b>		<b>US\$ millions</b>
Foundations, of which		340
Various private foundations	102	
Japan Foundation	164	
Nippon Foundation	74	
NGOs		482
Corporations		23
Central Government		3,500
Local governments		1,701
Individuals		30
Total		6,076

**Source:** Anheier and List

- German** ODA in 1999 according to OECD data was US\$5.5 billion, or 0.26 percent of GNP. The largest share of German foreign assistance goes for development work in less developed countries, and roughly 10 percent of such assistance goes through German nonprofits. This is followed by funding for research projects and scholarships for study in Germany by nationals of other countries. Table 6 suggests that a substantial amount of German overseas assistance is not counted in OECD estimates of ODA, since the total of \$13 billion is nearly two and a half times the value given for 1999, four years later, by OECD data. But data on international giving by Germany's third sector are difficult to come by. German foundations are not required to publish annual reports; and grantmaking directories like those published in the U.S. or UK are not available. So any such estimates as in Table 7 must be viewed as very tentative.

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<sup>37</sup> Anheier and List, p. 65.

<b>Table 7. German Cross-Border Philanthropy, 1995</b>	Culture, Recreation and Sports	Science and Research	Development Aid	Total (US\$mm)
Government	537	1,348	7,716	9,601
Corporate		2,264		2,264
Nonprofit		23	1,110	1,133
Total	537	3,635	8,826	12,998

**Source:** Anheier and List

### **VIII. International Philanthropy and Higher Education**

In each of the four counties studied by Anheier and List higher education is a major recipient of cross-border philanthropic flows. Much of this takes the form of North-North philanthropy, as when the Japan Foundations funds an academic exchange program with the U.S., or an American “Friends” nonprofit supports an Israeli research institute. Indeed it appears that most international philanthropy that is classified educational in the sense of funding new programs of study, endowing chairs, or building new facilities for scientific research is North-North.

But there is another way to measure international philanthropy that targets higher education and this is when colleges and universities in the North provide scholarship assistance to foreign students, many of whom come from the less-developed “South”. USAID includes this type of assistance in its concept of foreign aid and the amounts, as Table 2 makes clear, are substantial. At \$1.3 billion in financial aid a year (2000), the benefit to each of the half million foreign students at American colleges and universities is an average of \$2,600 per year. This is an investment in human capital that will pay large dividends for the individual recipient whether he or she stays in the U.S. or returns home as a certificated engineer, physician, public servant, scientist, business manager, etc.

However, the size of financial assistance for higher education to foreign students in the U.S. should turn our attention to an important scarcity: that of high-quality domestic institutions of higher education in most countries of “the South.” This is at the root of the so-called brain drain that deprives poorer countries of much national talent and increases competition for places at U.S. colleges and universities. It will only be slowed if the education gap with developed countries is narrowed—especially at the college and university graduate level.

An additional reason for more efforts to support higher education in the “South” is that the developing (or not-developing) countries of Africa, the Middle East and parts of Asia are preponderantly those with a weak history of civil society and democracy. It is difficult to imagine a better strategy for overcoming the democracy deficits of these countries than by strengthening home-grown institutions of higher education.

The institution of public higher education in Latin America, for example, might offer large social dividends for well-planned, strategic giving by international philanthropic institutions. Daniel Levy has studied the subject over many years<sup>38</sup> and sees it as a century-long (losing) struggle between state institutions of higher education—which seek to benefit large numbers of citizens, especially those from the poorer strata—and growing numbers of private institutions that have sprung up because of “state failure”: i.e., very low quality education in the public sector, highly politicized campuses that quickly tend to shut down in times of national crisis.

Levy identifies three waves of expansion for private institutions of higher education in Latin America. Before the 1880s there were no private institutions of higher

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<sup>38</sup> See Daniel C. Levy, *Higher Education and the State in Latin America: Private Challenges to Public Dominance* (Chicago: University of Chicago Press, 1986).

education in Latin America, with the partial exception of University of Cordoba in Argentina. The first wave began in the early years of the 20<sup>th</sup> century and extended to the fifties. The second wave comprised roughly the third quarter of the century, and the final and current wave began in the mid-seventies. The three waves were generated, successively, by (1) concern by the Catholic church over the absence of Christian teaching in the public universities, (2) concern by members of the business and professional class that public universities were politicized, turbulent, and too devoid of standards to provide quality higher education to their children<sup>39</sup>, and (3) failure of state institutions to meet the rapidly rising demand for higher education by ever-rising cohorts of high school graduates. Table 8 below, from a later article by Levy, shows the change for the region as a whole during the second wave of expansion.<sup>40</sup>

<b>Table 8. Latin America Higher Education Enrollment and Private Sector Share</b>	<b>1955</b>	<b>1960</b>	<b>1965</b>	<b>1970</b>	<b>1975</b>
Total Enrollment (thousands)	403.3	546.7	8,59.1	1,453.6	3,396.3
Private Enrollment	57.4	84.0	171.7	429.6	1,143.4
Private % of Total	14.2	15.4	20.0	29.6	33.7

Public institutions of higher education in Latin America could doubtless benefit from better management. Did it make sense, for example, for Venezuela's four major state universities to have no entrance exams during a period (1955-75) when enrollment in its public universities rose from 7,000 to 175,000?<sup>41</sup>

<sup>39</sup> The four top public universities in Venezuela in the 60s and 70s had a policy of admitting all applicants.

<sup>40</sup> Daniel C. Levy, "Evaluating Private Institutions: the Case of Latin American Higher Education," in Estelle James, ed. *The Nonprofit Sector in International Perspective: Studies in Comparative Culture and Policy* (New York: Oxford University Press, 1989), p. 86.

<sup>41</sup> *Ibid.*, p. 89.

Another major weakness in the continent's public universities has been not having the capital to fund critical investments to bring their institutions into the modern age. Here the example set by George Soros comes to mind. In the nineties his foundation, in partnership with the Russian government, brought broadband Internet access to more than 30 major Russian institutions of higher education. Could not a similar program for strategically selected state universities in Latin America help reverse decades of "state failure" in providing modern educational facilities? Such a program would benefit especially that sector of Latin American youth that is in the lowest rungs of the middle class, or even in poverty. Support for a large-scale higher education project such as this, or smaller scale projects like Ashesi and AIBEc (described below), would seem to appeal to all sources of international philanthropy: corporate, independent, and individual. It is an area, too, where the liberalization of laws governing the tax benefits of foreign giving (to be discussed below) could have a large impact.

Until such time, the model of "Friends" types of nonprofits, established to support a specific nonprofit (usually educational) abroad and act in effect as a conduit, would seem to be the best channel for cross-border philanthropy. But how many institutions of higher education overseas, especially in the "South", know about this model and use it to fundraise internationally? Ideally it would be a large percentage, especially if the schools in question have significant groups of alumni in the U.S.

There are philanthropic initiatives to correct the weaknesses in African higher education—e.g. a \$100-million program funded by a consortium of large American foundations and focused on the African continent—but are they large enough? More

focused “micro” efforts, such as the Ashesi University Foundation<sup>42</sup> that is dedicated to building a first-class private college in Ghana, are certainly an important complement.

But are there enough of them?

Even a lone success here and there can have a substantial impact. In Moscow, the American Institute of Business and Economics (AIBEC) <<http://www.aibec.org/>>, founded in the early nineties by Ed and Kitty Dolan, American professors of economics and political science, respectively, has already produced a significant stream of well-trained young Russians entering the business world. At the same time it has established high standards against which other, entirely Russian, schools of business compare themselves. (For example, now there are annual rankings of business schools in Russia, comparable to the U.S. New and World Report’s annual rankings of U.S. colleges.)

Educational exchanges with citizens of “problem nations,” undertaken in order to promote better relations with them, is another area for expanded support, and in which international philanthropy already has a strong record. Today these programs need to be focused, needless to say, on students from the Arab and Islamic world. This will not be achieved haphazardly by financial aid programs in American colleges and universities. It can only be achieved by programs—similar to those operated during the Cold War with the Soviet Union—that deliberately seek to bring foreign students from specific countries to the U.S. and vice-versa.

It was not a coincidence that Gorbachev’s strongest ally and supporter of *glasnost*’ in the Politburo was Alexander Yakovlev, who was in the first group of Russians to participate in an academic exchange program with the U.S. (He spent a year

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<sup>42</sup> The founder of Ashesi is an ex-Microsoft employee from Accra. The foundation’s website is at <http://www.ashesi.org>.

at Columbia University in 1958.) Gorbachev has attributed the more open-minded and questioning approach he brought to political leadership in the Soviet Union to the experience of living in Czechoslovakia as a young man and sharing a room with a Czech during the months of the “Prague Spring.”

## **IX. “Diaspora Philanthropy”**

“Diaspora philanthropy” is a term used, perhaps wrongly, to refer both to ordinary remittances that immigrant workers send home to their families and to more organized and formal charitable giving by American immigrant groups on behalf of the communities they left behind. In as sense, Andrew Carnegie in his day and George Soros in ours are examples of diaspora philanthropy. But the term more typically refers to philanthropic assistance that comes from groups of émigrés that identify strongly with their native countries. The émigré group may even be “poor” by American standards, but they nevertheless want to give back in some way to their home communities.

Diaspora philanthropy in 2000 was a whopping \$18 billion, according to USAID. Carol Adelman states that in six Latin American countries remittances represent more than 10 percent of GDP, while in Mexico they are the third largest source of foreign exchange.<sup>43</sup>

To understand how recent a phenomenon diaspora philanthropy is, consider. Brazil. Large-scale emigration to the U.S. from Brazil was unheard of for most of the twentieth century. Then, in the past 30 years it is estimated that more than one million Brazilians came to live in the U.S. Many of them are now professionals with good incomes.

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<sup>43</sup> Adelman, p. 12.



So in 2000, New Yorker Leona Forman, a Brazilian citizen with 20 years' experience working for the UN, decided to start the Brazil Foundation. With a grant from the Swiss Avina Foundation, and \$90,000 from donor-advised funds, she was able to open an office in Rio de Janeiro and begin tapping into the sizable community of expatriate Brazilians in the New York area for volunteers and fund-raising. By the spring of 2002, the foundation had already developed its giving guidelines and had started receiving applications from organizations in Brazil. It has on its board Ruth Cardoso, the wife of Brazil's former president, and internationally recognized singer and composer Gilberto Gil. It intends to solicit donations from U.S. companies doing business in Brazil and Brazilian companies operating in the U.S.—as well as from Brazilian individuals working in the U.S.

Donating to the *Fundação Brasil*, as it is called in Portuguese, will be a new experience for many in the Brazilian diaspora. Under U.S. law, gifts to the Brazil Foundation will be tax-deductible (which would not be the case under Brazilian law). In addition, the foundation's dedicated leadership—neither Forman nor her three staff are taking salaries until the organization gets off the ground—and transparent mode of operation have overcome a customary Brazilian distrust of non-family, non-church charitable entities. As Renata Pereira, one of the “expats” in the New York support circle stated, “Brazilians have not been used to giving money because we often don't know exactly how it will be used, and the foundation can help change that.”<sup>44</sup>

Similar developments are occurring in virtually every immigrant community in America. Elena Duran has lived in the U.S. 38 years but still feels herself very much a

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<sup>44</sup> Greene, Stephen G., and Williams, Grant. New Fund for Brazil Hopes to Inspire a Tradition of Giving. *The Chronicle of Philanthropy*, May 16, 2002.

citizen of two countries. She is president of the Zacatecas Federation, which draws on the one million Mexican-Americans living in the Chicago area to raise support for the purchase of “buses and ambulances and the construction of schools, roads, bridges, and water and electric systems.” The federation represents some 35 clubs organized according to hometowns in the Mexican state of Zacatecas. Each club commits to raising funds, which may amount to as much as \$100,000, for a project selected from a list submitted by a *municipalidad*. The funds are matched on a three-to-one basis by some combination of federal, state and local governments in Mexico. In raising funds for these projects, the federation not only helps alleviate poverty in Mexico; it also builds community, social bonds, and a sense of cultural pride among thousands of Mexican-American families in Illinois.<sup>45</sup>

In Indian, Polish, Korean, Vietnamese, Chinese and other émigré communities throughout America there are comparable diaspora stories and philanthropies. Even the Irish, a group that has been such an integral part of American life for so long one that hardly thinks of them as foreign, have organized Ireland Funds in the U.S. and 11 other countries. In more than 25 years of existence, the American Ireland Fund has raised more than \$150 million (including \$21 million in 2001, an exceptional year to be sure), and supported more than 1,200 nonprofit groups in Ireland. Despite the economic boom Ireland has experienced in recent years, support for this kind of cross-border philanthropy has remained strong. Kingsley Aikins, president of the Boston-based fund, explains: “As the world becomes more global people want to be a little more local.” In other words, while globalization can make individuals feel less in control of their destinies, at the same

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<sup>45</sup> Greene, Stephen G. Giving Back to Their Homelands: Charities Worldwide Get Support from Emigrants in America. *The Chronicle of Philanthropy*, May 16, 2002.

time it makes it easier for immigrants to maintain ties with both the old and new country, and thus feel the ties of patriotism pulling in two directions at once.<sup>46</sup>

Diaspora philanthropy is an area of international philanthropy for which little comprehensive or systematic data exist. It is supposedly a large element in remittances of approximately \$5 billion that 1.8 million Filipino-Americans send to the Philippines each year. But hard evidence is lacking, so it is impossible to be sure.

Diaspora philanthropy is also assistance that is uniquely foreign and domestic at the same time. Because it is organized by members of a nationality or ethnic group for fellow members of the same group, it is grassroots and “authentic” in a way that no program by a Ford or Rockefeller could perhaps be.

On the other hand, it is not likely to result in the creation of new universities, institutes for scientific research, or experimental ballet companies—as might result from Ford and Rockefeller grants, for example. And on these grounds some might object to considering it philanthropy in the classical sense.

But for dealing with problems such as those of youth in the *favelas* of Brazil, or the absence of clean water in Zacateca villages, diaspora philanthropy may be an under-appreciated instrument for mobilizing significant new resources and applying them efficiently overseas.

## **IX. Law and Nonprofits Under Globalization**

Large demographic shifts caused by immigration, political openings brought about by the fall of communism, the unprecedented advance in global communications spawned by the Internet—these are only some of the factors that make the world we live

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<sup>46</sup> Greene, “Giving Back to Their Homelands,” *ibid.*

in so dynamic. It is a rapidly-changing world in all respects but one: the laws that govern philanthropic activities around the world. These change at a glacial pace, in the U.S. as well as other nations, and represent a major obstacle to the growth of international philanthropy.

Philanthropy has been a part of human society for millennia. Inscriptions found in Greece and Asia Minor attest to the beneficence of one Herodes Atticus, whose charity in Roman times endowed a stadium and restored the theater of Pericles in Athens, financed a temple and theater in Corinth, and contributed to the building of a system of aqueducts in Canusium, Italy.<sup>47</sup> The latter may be considered an early example of international philanthropy, for Atticus was a Greek. There is no evidence that Roman law prevented Atticus from carrying out his project in Canusium.

Today, if Atticus were American and had a foundation, he would not be so lucky. U.S. laws governing international philanthropy were made in 1935—in the days before transistors, jetliners, and even television—and they significantly restrict the ability of our foundations to make direct grants abroad, whether to hospitals, orphanages, NGOs or other entities. The foundations that are willing to deal with the legal hurdles involved in making international grants tend to be the very largest, that can afford the investment in staff time and legal advice required to do so.

Why should this be? Nothing restricts corporations from opening affiliates overseas that serve as legal instruments for tax avoidance. The federal government and its agencies, such as USAID, are free to give money as they please to entities abroad. But if an American foundation wants to make a direct grant to an NGO of another country, as

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<sup>47</sup> Kiger, Joseph C. *Philanthropic Foundations in the Twentieth Century*. Westport, CT: Greenwood Press, 2000, p. 11.

law professor Nina J. Crimm writes, the process is “complex, time-consuming, and problematic... Perhaps because of such substantial legal and administrative burdens, few foundations give money to international projects.”<sup>48</sup> Crimm points out that of the nation’s 50,000 private foundations in 1998 only 576 engaged in global philanthropy. (What the number would be in the absence of restrictive laws is unknown, of course.)

The laws governing philanthropy and the nonprofit sector are no less in need of reform abroad. Japan passed badly needed legislation reforming its treatment of the nonprofit sector only as recently as 1998, and it still has more to do. In many nations, both developed and less developed, what is at stake is changing legal doctrine that may date back to the French Revolution.

The 1601 Charitable Law of Trusts opened a period in Jacobean England when it became “customary” for wealthy London merchants to convey some “substantial and conspicuous” part of their wealth to a charitable trust. Failure to do so “was generally regarded as little short of shocking unless there had been a grievous wasting of the estate because of age, ill-health, or commercial misfortune.”<sup>49</sup> But the French Revolution and development of the Napoleonic code of law introduced much greater state control on the establishment of private foundations and charities than was the case in countries in the British common law tradition. In France itself, while rights of private property were recognized, it was not until the late nineteenth century that the right of voluntary association was explicitly recognized.<sup>50</sup> This legacy has had consequences for the development of a third sector throughout much of Europe, Latin America, and other

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<sup>48</sup> “Global Philanthropy Depends on Tax Laws,” *The Chronicle of Philanthropy*, April 3, 2003.

<sup>49</sup> Wilbur K. Jordan, *Philanthropy in England, 1480-1660: A Study of the Changing Pattern of English Social Aspiration*, as quoted in Kiger, pp. 14-15.

<sup>50</sup> James Douglas, *Why Charity? The Case for a Third Sector*. (Beverly Hills, CA: Sage Publications, 1983), p. 16.

regions influenced by the Napoleonic code. France to this day has a very small number of private philanthropic foundations.<sup>51</sup>

In a number of countries, efforts are under way to reform laws governing nonprofits and charitable donations. In Mexico, for example, such efforts have been “an important part of the congressional agenda since 1995,” according to José Luis Mendez, associated with an organization known as the Electoral Federal Institute. Some of the younger so-called “civil organizations” (COs) in Mexico have eschewed the favored legal status offered to *institutos de asistencia privada* because of an unwanted level of government control that comes with this status. At the same time, many COs are feared by Mexican government and business elites to be *de facto* political advocacy organizations seeking legal or financial cover as tax-exempt entities. The result has been a political impasse, with no reform of the tax code affecting COs coming out of the Mexican congress. According to Mendez, these COs’ uncertain legal status makes them subject to punitively high level of taxes at home and unlikely recipients of grants from philanthropy from abroad.<sup>52</sup>

In many post-Soviet countries, laws governing nonprofits and charitable foundations still have a large communist residue and are vague, inconsistent, and subject to administrative manipulation. This problem is compounded by decades of isolation that make it very difficult for citizens of these countries to understand the role of nonprofits in Western countries. In an article that examines the case of Kazakhstan, Marvin Nowicki asserts that while a nonprofit sector already exists in that country and, “the Kazakhstani people need this new sector in order to ease the pain of transition to civil society,” the

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<sup>51</sup> Kiger, p. 150.

<sup>52</sup> “Civil Organizations in Mexico: Recent Evolution and Prospects,” *Voluntas*, vol. 10, no. 1, 1999, pp. 93-99.

sector's future is highly uncertain, in large part owing to the "legal vacuum" it operates in.

Furthermore, writes Nowicki, a "secondary, but no less important, barrier [for the development of a viable civil society] is the extent to which a centralized state regulates volunteer activities and extends bureaucratic controls over the efforts of nonprofit organizations."<sup>53</sup> Nowicki shows with great force how these controls operate within an incomprehensible legal miasma that seems deliberately designed by the nation's leaders to stifle the growth of civil society in Kazakhstan. The solution in his mind unfortunately needs to begin with the very elites that have created the mess. Until they "take more seriously the development of an enabling legal framework, the nonprofit sector will be position to exercise very little control or authority over its own destiny on the Great Silk Road in Kazakhstan."<sup>54</sup> But what will change the minds of Kazakhstan's political elites?

The case of Kazakhstan makes problems of Mexican civil organizations pale by comparison. For the scores of developing nations that have semi-open societies, neither democratic nor utterly authoritarian, the legal problems of their nonprofit sector probably reside on a continuum defined by Mexico at one end and Kazakhstan at the other. What can the international community do about it?

## **X. Needed: A New International Philanthropy Policy (NIPP)**

Here would seem to be a golden opportunity for the world's democracies to come together in support of civil society worldwide in ways that are practical and can spur the growth of needed third sector organizations in authoritarian or semi-authoritarian

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<sup>53</sup> Marvin E. Nowicki, "Kazakhstan's Nonprofit Sector at a Crossroad on the Great Silk Road," *Voluntas*, vol. 11, no. 3, 2000, p. 218.

<sup>54</sup> Nowicki, p. 234.

countries. The decade of the great UN-sponsored conferences is past, but the need for continuing action to spur civil society on a global level is not. Perhaps the time is ripe for a less symbolic campaign for “global civil society,” a more practical and more businesslike one that aims at specific reforms in national laws in countries around the world. If successful, such a campaign could free nonprofits from the legal limbo many of them live in, improve their access to charitable transfers—no matter whether they are foreign or domestic—and not incidentally, raise their status and respect among their peers as valuable participants in public life.

One strategy for such a campaign might be a series of regional conferences over two-three years, capped by a global conference, all focused on liberalizing national laws that inhibit rights of association in society and especially the work of nonprofits. In addition, the question of easing restrictions on philanthropic donations between countries should be high on the agenda. The principle should be that—apart from reasonable safeguards against misuse of funds—nothing should prevent citizen or foundation in country A from donating to any legitimate nonprofit enterprise in country B with as much ease as they would donate to a nonprofit at home. The goal of liberalization should also emphasize rationalizing legislation governing the nonprofit sector and making it as transparent as possible. These three values—liberalization, rationalization, and transparency—should be the “holy trinity” of any campaign on behalf of nonprofits and international philanthropy.

The push for such a campaign should come from organizations of civil society, of course. But it must also have support from the highest levels of government, working with the international nonprofit community, in order to ensure that the campaign is taken



seriously and that maximum attention is focused on reforming bad nonprofit laws in every nation of the world where they occur.

The Bush Administration, if it could be persuaded of the wisdom of this idea, might welcome the opportunity to engage with elements of international civil society. The UN would likely be willing to sponsor such an effort on a global level. But it would need to be made clear to all participants that the proposed process aims at real legislative action by national parliaments or other law-making bodies.

During the early phases of the process, and through the series of regional conferences, NGOs leaders, legal scholars, foundation executives, and others will have developed clear yardsticks for measuring progress toward the liberalization of nonprofit law and philanthropy in each country. For countries that either failed to participate in the process, or that failed to produce some meaningful liberalizing legislation at the end of it, some form of sanctions, perhaps by multilateral institutions like the World Bank and WTO, should be available and applied. Certainly in the case of some governments, “all possible pressures” will not produce results. But this is no argument against undertaking the effort on behalf of nonprofits in those nations whose governments would be responsive.

## **XI. Conclusion and Recommendations: Connecting the Dots**

The idea of an international campaign to spur the reform and liberalization of nonprofit law around the world may appear to be grandiose and unrealistic. If it is, so too are many of the ideas of those who write about “global civil society.”<sup>55</sup> In much of this

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<sup>55</sup> It does not become clearer by reading, for example, South African social scientist Rupert Taylor on “Interpreting Global Civil Society,” *Voluntas*, December 2002, pp. 345-346. He describes an “emerging progressive global consciousness...recognition of how everything affects everything else” such that “the

literature there is an excessive fascination with “advocacy” and campaigns directed against large institutions (the IMF, Royal Dutch Shell, etc.) that set up NGOs as the “voices of the voiceless.” Too often such campaigns ignore the fact that we still live in a world of nations and that there is a great deal about national laws that still inhibits the flowering of *national* civil society, let alone civil society in its global dimensions.

But proposals for practical changes in the laws of countries like Kazakhstan, changes that would release the energies of NGOs and allow citizens to seek solutions to their own problems, are few and far between. Perhaps such approaches are simply out of step with the rhetoric of globalization.

### **Helping Community Foundations Go Global**

In the meantime there are other practical routes to pursue, even if less ambitious ones. As Americans increasingly look to their local community foundations as vehicles for sending assistance to humanitarian or development projects abroad, it might be advisable for more community foundations to develop educational programs for their potential international donors. Most large cities in the U.S. receive a regular stream of international visitors throughout the year. Sometimes they come as part of the U.S. government’s International Visitors Program and are hosted by the local World Affairs Council; sometimes they are sent by national advocacy organizations that have a local chapter.

The visitors may be national or local government officials, journalists, trade unionists, leaders of NGOs, artists, etc. Frequently they are very well-informed, very knowledgeable about problems in their countries, and in a position to speak

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multiorganizational field of civil society is gaining momentum. Each and every action is building on the next, with increasing interconnectedness, creating synergy.” And so on.

authoritatively about those problems to Americans. But too often the international visitors come and go after a handful of meetings and some sightseeing. There is no mechanism in most cities for putting these visitors in touch with potential local donors who have expressed an interest in their countries (or causes).

It would not be a big stretch financially for many community foundations to add a staffer with an “international brief” to fulfill this responsibility. The individual could be a recent college graduate, or even a rotating set of interns. Such a staffer could begin by identifying the international concerns of the local community’s donor base, and then organize “international donor forums” for selected individuals from this pool with well-chosen representatives from the stream of international visitors that come through town month by month.

Such forums would be fundamentally educational in nature, without any expectation that grantmaking is about to take place. But if a series of such forums were to be held over a reasonable period of time, it is likely that they would spawn new relationships between local donors and international projects, spawn more donor-advised funds focused on international issues, and ultimately lead to an enhanced international philanthropy generated at a very grassroots level.

### **Mapping the World of PVOs Whose International Programs Are Secondary**

Efforts are also needed to assess properly the true size of this global philanthropy through intermediary organizations, and not just in financial terms. Of great value would be the development of an international philanthropy clearinghouse service, similar to a Guidestar, but focused on the myriad projects of international assistance being carried out by PVOs or NGOs—especially the smaller ones that tend to be “under the radar” and

those whose primary classification is not international but whose international projects are significant. These projects are often those hardest to learn about.

During crises, such a clearinghouse could help prevent the over-concentration of philanthropic resources, as when more than two hundred NGOs descended on Rwanda in 1994-95. On an ongoing basis, it could help give recognition and publicity, locally and internationally, to small but valuable local projects, such as Serendipity. Such publicity reaches audiences outside routine organizational channels, attracts new supporters, and promotes better appreciation locally of foreign assistance. Ultimately, it can lead to increasing the resources, financial and human, available to valuable third sector work being done around the world.

Such a project-oriented global “mapping” would be online, of course, and parts of it already exist in the databases of various networking organizations such as Russia’s Agency of Social Information <<http://www.asi.org.ru>>. It may be that pulling various independent efforts together in a way that protects their existing investments while achieving some degree of comprehensive coverage is most of what is needed.

But simply having a high tech website based on dynamic database technology will not be enough. An international PVO clearinghouse would also need a pro-active element that complements dynamic databases like those that Guidestar uses. It would require some staff who combine the skills of an investigative reporter with those of a foundation officer, not to mention language skills and good in-country contacts, to map the range of public benefit activity in countries like Somalia, Laos, Uzbekistan or China that either have limited Internet access or try to control how that access is used.

**Final, final**

If there is a common theme to the various issues and ideas discussed in this paper it is the theme of networks:

- creating new networks between projects overseas and donors at home through the community foundation;
- creating new networks between émigré or ethnic communities at home and projects in the countries they came from;
- creating stronger institutions of higher education in the “South,” which would result in richer domestic networks of well-trained college graduates and professionals;
- finally, reforming and liberalizing legislation in the many countries (including the U.S.) that currently obstruct the development of civil society and independent associational life in many ways.

Robert Putnam has said that the idea of social networks is at the heart of his idea of social capital. Perhaps one way of viewing this exploration of the globalization of American philanthropy is that it has been an effort to identify some areas where latent networks exist that, once put together, would create permanent additions to global social capital.

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## Appendix A.

### U.S. Government International Assistance, 2002

	Official Development Assistance, \$9.9 billion	Other Government Assistance, \$12.7 billion
<b>USAID</b>	Operations	Israel
	Development assistance	Newly independent states
	Child survival, humanitarian Disaster relief, food aid	Eastern Europe and Baltic States
<b>State Department</b>	Refugees, narcotics	Operations
	Asia Foundation	Broadcasting (Voice of America, Radio Marti)
	International organizations	Peacekeeping
		Educational and cultural exchanges
		International organizations
<b>Department of Defense</b>	Humanitarian	National Endowment for Democracy
	Peacekeeping development	Military education and training
		Foreign military loans
		Antiterrorism, nonproliferation
<b>Other agencies</b>	Peace Corps	Export-Import Bank
	U.S. Trade and Development Agency	Overseas Private Investment Corporation
	Multilateral institutions	International Monetary Fund
	Security assistance (Egypt and others)	Inter-American Foundation

**Source:** USAID, *Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity*, p. 132.

